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BEFORE THE ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission

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AZ CORP COMMISSION
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IN THE MATTER OF THE APPLICATION OF
PALO VERDE UTILITIES COMPANY FOR AN
EXTENSION OF ITS EXISTING CERTIFICATE
OF CONVENIENCE AND NECESSITY.

DOCKET NO. SW-03575A-05-0307

IN THE MATTER OF THE APPLICATION OF
SANTA CRUZ WATER COMPANY FOR AN
EXTENSION OF ITS EXISTING CERTIFICATE
OF CONVENIENCE AND NECESSITY.

DOCKET NO. W-03576A-05-0307

PROCEDURAL ORDER

On February 2, 2006, the Arizona Corporation Commission ("Commission"), in Decision No. 68448, approved the application of Palo Verde Utilities Company, LLC, ("Palo Verde") and Santa Cruz Water Company, LLC ("Santa Cruz") (jointly "the Companies") to extend their Certificates of Convenience and Necessity to provide water and wastewater services in Pinal County.

On February 2, 2007, the Companies filed a request for a one-year extension of time, until February 2, 2008, to comply with the requirements outlined in Decision No. 68448.

On February 9, 2007, the Commission's Utilities Division ("Staff") filed a letter in this docket, requesting the Companies to file a statement from each of the developers in the extension area explaining why development has been delayed and demonstrating a continued need for service. Staff further requested that the Companies have the developers confirm in their respective statements that the Phase I Main Extension Agreements ("MXAs") will be filed by December 31, 2007.

Between March 21, 2007, and May 21, 2007, the Companies submitted developers' letters into the docket, which explained the status of the developers' projects and confirmed their continued need for water and sewer services in the extension area.

On May 18, 2007, the Companies filed a summary detailing the letters submitted by the developers in the extension area. The developers' letters requested an extension of time to file the MXAs until December 31, 2008, one year longer than the Companies' request.

1 On August 27, 2007, by Procedural Order, Staff was directed to provide an update or
2 recommendations regarding the Companies' request for an extension of time to comply with Decision
3 No. 68448.

4 On August 28, 2007, Staff filed a memorandum in this matter and stated that Staff did not
5 oppose the Companies' request for extension of time until December 31, 2008, to file its Phase I
6 MXAs and an extension of time until December 31, 2007, for the Companies to file an amended
7 Designation of Assured Water Supply ("DAWS") and an amended Pinal County Franchise
8 Agreement for the extension area.

9 Regarding the Phase I MXAs, Staff stated that due to a slow down in the market it was logical
10 that negotiations between the developers and the Companies to finalize the agreements would also be
11 slowed. However, Staff concluded that because a need for service exists and developers largely
12 determine when an MXA will be executed, the Companies' and the developers' request for an
13 extension of time until December 31, 2008 is reasonable.

14 On October 16, 2007, by Procedural Order, Palo Verde Utilities Company and Santa Cruz
15 Water Company's request for an extension of time until December 31, 2008, to comply with the
16 requirements outlined in Decision No. 68448 was granted.

17 On October 19, 2007, as a compliance item in this docket, the Companies filed the Amended
18 Franchise Agreements.

19 On December 28, 2007, as a compliance item in this docket, the Companies filed the DAWS
20 approved by the Arizona Department of Water Resources.

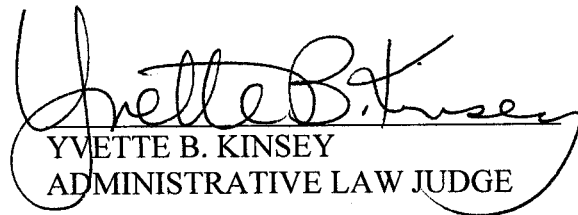
21 On December 31, 2007, as a compliance item in this docket, the Companies filed the
22 Approvals of Construction ("AOC") for Phase I of the water system except for the Terrazo Water
23 Treatment Plant and the AOCs for Phase 1 of the Sewer Collection system.

24 On the same date, the Companies filed a Motion for Extension of Time to file the AOC for the
25 Terrazo Water Treatment Plant. The Motion stated that Santa Cruz was unable to file the AOC for
26 the Terrazo Plant because the plant has been damaged by copper thieves, but the Terrazo Plant is
27 largely complete except for repairs caused by the damage. The Companies request an extension of
28 time until June 30, 2008, to file the AOC for the Terrazo Plant.

1 Accordingly, Staff should file recommendations regarding the Companies' request for an
2 extension of time, until June 30, 2008, to file the AOC for the Terrazo Plant.

3 IT IS THEREFORE ORDERED that Staff shall file, by **March 10, 2008**, an update or
4 recommendations regarding the Applicant's request for an extension to file the AOC for the Terrazo
5 Plant.

6 DATED this 22nd day of February, 2008.

7
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9 YVETTE B. KINSEY
10 ADMINISTRATIVE LAW JUDGE
11
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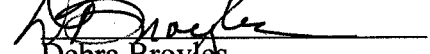
13 Copies of the foregoing mailed/delivered
14 this 22nd day of February, 2008 to:

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